GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3426
ANSWERED ON:07.09.2007
FOREIGN CAPITAL INVESTMENT IN INDIAN BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether the guidelines issued by Reserve Bank of India has allowed foreign institutional investors to make investment in public and private sector banks;

(b) if so, the details thereof;

(c) the details of foreign capital investment upto June, 2007, in Indian banks, bank-wise;

(d) whether the Government has received the proposals to increase the maximum ceiling of investment; and

(e) if so, the reaction of the Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PA WAN KUMAR BANSAL)

(a) & (b) In terms of the Government of India press note dated 5th March, 2004, the aggregate foreign investment in private sector banks from all sources [Foreign Direct Investment (FDI), Foreign Institutional Investors (FIIs), Non-resident Indians (NRIs)] cannot exceed 74% of the bank`s paid up capital. Section 3 (2D) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/80 prohibits individuals and other corporate residents outside India to hold or acquire shares of any nationalised bank, in aggregate exceeding 20% of the paid up capital of the concerned bank. RBI guidelines, however, restrict individual F1I holding in any bank to 10% of the paid up capital of that bank.

(c): Bank-wise details of FIIs holding in public and private sector banks as on 30th June, 2007 are at Annex.

(d) & (e): Representations have been received from public sector banks to increase foreign investment limit from the current 20%. However, at present there is no proposal under consideration of the Government to amend the said limit.